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ABSTRACT

This document describes business plan competitions sponsored by universities. The idea began in the early 1980s at the University of Texas when Master's in Business Administration (MBA) students created a friendly competitive activity along the lines of the law school's Moot Court competition. Later the competition became national, and then international, involving students from many universities. Business plan competitions have become so accepted that they are considered rites of passage for MBA candidates. The paper describes competitions at Rensselaer Polytechnic Institute, New York, and the University of Pennsylvania. Some nonacademic competitions are sponsored by private organizations, including venture capital firms, and there are a few competitions involving students who band together, not under the auspices of any single organization or institution. In all of these competitions, there are benefits to be gained from participating, no matter the outcome, but the financial rewards, especially those that nurture a business, undoubtedly attract many students. (Contains 11 references.) (Author/SLD)

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Business Plan Competitions: An Overview

Nicole Seymour

May 2002

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Business Plan Competitions: An Overview

By Nicole Seymour

With entrepreneurship education gaining a foothold at many American universities, a somewhat venerated phenomenon has come into the spotlight: the business plan competition. In today's highly competitive market for venture capital and publicity, these events can open the door to fortune and fame. They typically offer "small pots of money, up to $50,000 (Griffin, 2001, ¶2)," as well as the attractive possibility of press attention. As one former winner explains, "it's a lot easier getting your foot in the door ... if you can say you won [a competition]" (Ballon, 1998a, ¶3). Often, the only requirement for entry is that one member of the participating team be a student or alumnus (Griffin, 2001, ¶6).

The business plan competition started in the early 1980s at the University of Texas (Kautz,

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2000). Two MBA students wanted to create a friendly, competitive activity along the lines of the law school's Moot Court competition, so in 1984 they launched the "Moot Corp." Five years later the competition went national, then international, bringing together students from Harvard, Purdue, and even from as far as the Lyon Graduate School of Business in France. Today that event is considered the "quintessential competition of its kind" (Warshaw, 1999, ¶2), with an estimated 50 other events like it currently taking place on a regular basis nationwide (Ballon, 1998a, ¶4). In fact, business plan competitions have become so de rigeur that they are considered "rites of passage for M.B.A. candidates all over the globe" (Warshaw, 1999, ¶1).

Rensselaer Polytechnic Institute

Rensselaer, based in Troy, New York, bills itself as "the first degree granting technological university in the English-speaking world" (Rensselaer Polytechnic Institute, 2002). It boasts an entrepreneurial pedigree to rival most U.S. universities - in 2001, SUCCESS magazine ranked Rensselaer sixth on its annual list of the 50 Best Entrepreneurial Business Schools. The Institute sponsors a multitude of entrepreneurial activities, including an Entrepreneurship, Innovation and Venture Capital Forum and an Entrepreneurship Club, in addition to its business plan competitions.

While many business plan competitions tend to be overcrowded by information technology ventures, the Rensselaer Web site notes that "it doesn't matter if you are an Engineer, Scientist, Architect, Humanist, Social Scientist or Manager … entrepreneurs in each of these areas have been instrumental in founding internationally successful business" (Rensselaer Polytechnic Institute, 2002). Their competitive offerings are also highly varied - the school actually offers

three separate events, The New Venture Opportunity Competition, held in fall, the $25,000 Student Business Plan Competition, held in spring, and the Severino Center Business Plan "Open" Competition, which is open to alumni, faculty, staff, students, and affiliates. When it comes to the first event, Rensselaer takes pains to ensure that winners don't merely collect on their plans, but also have real incentive to launch their entrepreneurial ventures. While the top prizes are $3,000, $2,000 and $1,000 for the latter two events, there is a one-year option of an additional $20,000 if the winner decides to launch the company while still in school.

The University of Pennsylvania

The University of Pennsylvania, another venerable institution, is home to the Wharton School, one of the nation's premiere business schools. Wharton also has an impressive reputation when it comes to entrepreneurship - it was the first school to develop a fully integrated curriculum of entrepreneurial studies. Among other entities, it hosts the Sol C. Snider Entrepreneurial Research Center, the Wharton Small Business Development Center and the Entrepreneur-in-Residence Program. And, of course, it also holds the Wharton Business Plan Competition.

Despite its name, this competition is open to all students, graduate or undergraduate, who attend classes at the University of Pennsylvania. The event, which offers a $25,000 Grand Prize, $15,000 for the first runner up and $10,000 for the second runner up, "tends to draw participants from the engineering, law and medical schools, as well as Wharton" - though two $10,000 prizes were awarded for an "industry track" in education for the first time this year ("Eight Great Business Plans," 2002, ¶3). Competition for any of these prizes is incredibly competitive. Judges whittle approximately 400 entries down to 135, and then a final eight. All entrants must take part

in a three-phase process that begins in the fall when an initial idea is submitted. Phase Two requires a detailed description of the prospective venture, and in Phase Three, competitors submit a full business plan to a group of judges - at which time the eight finalists are selected for the ultimate round, held in spring.

Non-Academic Competitions

Business competitions are not limited exclusively to universities. Some venture capital firms, rather than contributing to the booty students win, have begun holding their own events. Garage.com launched PLANedu in 2000, "limiting participation to full-time undergraduate and graduate students currently enrolled in accredited U.S. colleges or universities" (Kautz, 2000, ¶3). Startemup.com, which bills itself as "the premier networking platform for university entrepreneurs" - and happens to have been founded by a group of Duke University graduates - holds an annual competition for university students called the B-Plan Challenge. The company provides winning university ventures with a "startup services package" that includes a seed capital prize, business and financial consulting from Andersen, media coverage and more (StartEmUp, 2001).

In addition to these private organizations, many public and non-profit organizations host competitive events in order to encourage entrepreneurship and "[identify] viable businesses to revitalize their business community" (Kautz, 2000, ¶3). In the United Kingdom, members of the British Chambers of Commerce not only judge the Big Zipper Challenge, which is aimed at students aged 14 and up, but they also organize groups of entrepreneurs to visit classrooms (Hunt for Young Entrepreneurs, 2001). North Carolina's LaunchPad, an offshoot of the community

development Triad Entrepreneurial Initiative, offers three business plan competitions, with varying levels of comprehensiveness and correlating prize money - from $1,500 to $50,000. In addition, competitors can win 6-12 months of incubator space. The requirements: one member of a competing team must live, work, or attend college in the twelve-county Piedmont Triad region (Triad Entrepreneurial Initiative, 2001).

There are also a limited number of competitions involving students who band together, not under the auspices of any single organization or institution. Students in Free Enterprise (SIFE), a group that is active on "more than 1,000 campuses in over 20 countries" (Students in Free Enterprise, no date), features teams of students that compete for the chance to make it to London, England for the SIFE World Cup. The organization awards over $400,000 in prize money each year - a large sum in comparison to most competitions, but not surprising when considering that the SIFE Board of Directors is made up of over 170 top corporate executives. But despite their corporate sponsors, SIFE has a decidedly philanthropic bent. Team exhibitions, in which students present a product or solution, are judged on eight major criteria, including how they teach "practicing business in an ethical and socially responsible manner that supports the principles of a market economy" (Students in Free Enterprise, no date).

In all of these competitions, there are benefits to be gained from simply participating, no matter what the outcome. These students have taken the first, and, arguably, the most important, step toward starting a successful business: planning. Further, they often gain important mentors and advisors, from corporate sponsors to judges to professors, who can prove to be invaluable in the future. One high-profile business plan competition winner, MIT's Direct Hit Technologies,

exemplifies this: their guru and CEO, Mike Cassidy, came aboard after visiting the school's online listing of competition candidates. Cassidy, a seasoned entrepreneur, was no stranger to business plan competitions - he had won MIT's $50K Entrepreneurship Competition as a student a decade earlier (Ballon, 1998a).

Of course, most participants will admit that it's the money - not for personal fortune, but for the nuturance of their business - that encourages them to compete. Competition prizes, and even just participation, often lead to much larger investments from venture capitalists, sponsors and corporations. As Duncan McCallum, a regular attendee at the MIT $50K Entrepreneurship Competition and a partner at OneLiberty Ventures, a Boston-based venture capital firm, told a reporter, "I go [to business plan competitions] because I'm looking for the technology leaders of the future" (Ballon, 1998b, ¶3).

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